

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re: W.R. GRACE & CO., <i>et al.</i>, Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (JKF)
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**FEE AUDITOR'S FINAL REPORT REGARDING THE QUARTERLY
FEE APPLICATION OF SAUL EWING LLP FOR THE
PERIOD FROM JANUARY 1, 2010 THROUGH MARCH 31, 2010**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Quarterly Fee Application of Saul Ewing LLP for the Period from January 1, 2010 through March 31, 2010 (the "Application").

BACKGROUND

1. Saul Ewing LLP ("Saul Ewing") was retained as co-counsel to the Official Committee of Equity Holders. In the Application, Saul Ewing seeks approval of fees totaling \$49,947.00 and expenses totaling \$1,658.77 for its services from January 1, 2010 through March 31, 2010 (the "Thirty-Sixth Interim Period" or the "Application Period").

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2010, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996 (the "Guidelines"), as well as for consistency with precedent

established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served an initial report on Saul Ewing based on our review, and we received a response from Saul Ewing, portions of which response are quoted herein.

DISCUSSION

3. We noted that during the current Application Period, Saul Ewing billed 21.8 hours, for total fees of \$6,397.50, on matters pertaining to its fee applications. The fees billed for fee application preparation comprise approximately 12.8% of the total fees sought by Saul Ewing during the current Application Period. We note also that, on a cumulative basis, the fees billed for fee application preparation comprise 6.4% of the total fees sought by Saul Ewing for all periods during which Saul Ewing has been an applicant.¹ Although the Court has not set a defined limit on fees for fee application preparation in this case, such fees must still be reasonable under Section 330 of the Bankruptcy Code. A number of courts, including this one, have established 5% of the total fees billed as a guideline for reasonableness of such fees. For the current Application Period, the fees requested for fee application preparation exceed 5% by \$3,900.15.² Thus, we asked Saul Ewing to explain any other factors which would support the reasonableness of its fees for fee application

¹Taking into account the \$1,908.00 reduction in fees for fee application preparation to which Saul Ewing agreed in the previous quarterly period, Saul Ewing's cumulative fees for fee application preparation through March 2010 total \$17,869.50. Saul Ewing's cumulative fees overall through March 2010 total \$279,387.00. $\$17,869.50 \div \$279,387.00 = 0.064$.

²Five percent (5%) of Saul Ewing's fees of \$49,947.00 is \$2,497.35. Thus, Saul Ewing's fees for fee application preparation (\$6,397.50) exceed \$2,497.35 by \$3,900.15. The result is the same when calculated cumulatively: 5% of Saul Ewing's cumulative fees of \$279,387.00 is \$13,969.35. Saul Ewing's cumulative fees for fee application preparation of \$17,869.50 exceed \$13,969.35 by \$3,900.15.

preparation. Saul Ewing responded:

Saul Ewing was retained as Delaware Counsel to the Equity Committee in 2009, after nearly all Equity-centric issues have been worked out. Accordingly, Saul Ewing monitors the case and reviews all filings as Delaware counsel and assists primary counsel with the filing of fee applications, Certifications of No Objection, Quarterly Applications and the like. Because there is little else left in the case in chief besides confirmation--which is being handled by primary counsel--the proportion of Saul Ewing's fees that relate to fee application activities is understandably arithmetically higher, and in absolute numbers (rather than percentages) it is a fairly reasonable amount.

Saul Ewing requests that the Court allow it to be compensated for its requested fees under the "de minimis" standard, or in the alternative, Saul Ewing will be willing to take a \$550 reduction in its fees for this Application Period in respect of the Fee Auditor's position.


We appreciate Saul Ewing's willingness to reduce its fees for fee application preparation by \$550.00. To clarify, the fees included in our calculation pertained only to Saul Ewing's fee applications, not to Saul Ewing's work on any other applicant's fee applications. We understand that Saul Ewing's application was relatively small this quarter, and thus its fees for fee application preparation will constitute a higher percentage of its total fees. Moreover, we note that 76% of the time billed on fee application preparation was billed by a paralegal with a lower hourly rate, and therefore it appears that Saul Ewing is preparing its fee applications efficiently. Thus, we accept Saul Ewing's proffered reduction of \$550.00 in fees and recommend no further reductions for this issue.

CONCLUSION

4. Thus, we recommend approval of \$49,397.00 in fees (\$49,947.00 minus \$550.00) and \$1,658.77 in expenses for Saul Ewing's services for the Application Period.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.


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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 3rd day of September, 2010.


Warren H. Smith

SERVICE LIST

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